

Message Text

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FM AMEMBASSY JIDDA

TO SECSTATE WASHDC 4442

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E.O. 11652: N/A

TAGS: BEXP EIND SA

SUBJECT: U.S. COMPANY INTEREST IN STEEL FABRICATION PLANT IN SAUDI
ARABIA

REF: STATE 092398

1. RE PARA 3 REFTTEL, REBARS ARE IN EXCEPTIONAL HIGH DEMAND IN SAUDI ARABIA. JIDDA AREA ALONE IS SAID TO REQUIRE 40,000 M/TS PER MONTH FOR CONSTRUCTION UNDERWAY OR PLANNED IN IMMEDIATE FUTURE. SUSTAINED LONG RANGE 5/10 YEAR DEMAND IS ANTICIPATED. COE PROJECTS ALONE, VALUED AT OVER \$17 BILLION, WILL REQUIRE OVER MILLION TONS A YEAR FOR NEXT FIVE YEARS. TOTAL ANNUAL SAUDI PRODUCTION IRON AND STEEL REINFORCING BARS IS ESTIMATED AT 45,000 M/TS. USING SCRAP IRON AND BILLETS A PRIVATE ENTERPRISE IS PLANNING FUTHER ANNUAL PRODUCTION OF AN ADDED 30,000 M/TS. SAG FIVE YEAR PLAN ALONE CALLS FOR CONSTRUCTION EXPENDITURES OF \$83.5 BILLION. THIS AMOUNT MAYBE UNREALISTIC BUT DOES NOT INCLUDE PRIVATE SECTOR PLANS WHICH MAY EQUAL 30 TO 40 PERCENT OF GOVERNMENT SPENDING. IMPORTS OF FINISHED STRUCTURAL ITEMS OF IRON AND STEEL ARE CONSERVATIVELY ESTIMATED AT \$62.4 MILLION IN 1976 INCREASING STEADILY TO \$81.9 IN 1980.

2. SAG WELCOMES ANY INDUSTRIAL INVESTMENT IN SAUDI ARABIA, ESPECIALLY IN CRITICAL FIELD OF
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CONSTRUCTION. THERE IS NO CONVERTIBILITY PROBLEM.

IN JOINT VENTURE WITH FOREIGN FIRM HOLDING AS MUCH AS 75 PERCENT OF COMPANY, FIRM WOULD STILL QUALIFY TO APPLY FOR SAUDI INDUSTRIAL DEVELOPMENT FUND LOAN. MAIN PROBLEMS ARE RECRUITMENT AND HOUSING OF LABOR. LOCAL LABOR IS PRACTICALLY NON-EXISTENT AND ALL MUST BE IMPORTED AND HOUSING ARRANGED BY CONTRACTOR.

3. ALL OF THE FIVE FIRMS MENTIONED IN REFTTEL ARE STILL INTERESTED IN PROJECTS FOR REINFORCING BARS OR STEEL STRUCTURES. THE FIRST MENTIONED APPEARS MISSPELLED. FIRM IS SALIH ABDUL AZIZ BAHUSSAIN & CO., P O BOX 539, RIYADH. FIRM OF FAHD HUSSEIN SHOBOKSHI, P O BOX 3511, RIYADH, IS INTERESTED IN PRODUCTION OF GALVANIZED STEEL SHEETS. ALSO RABIAH & NASSAR CO., P O BOX 2989, RIYADH, PLANS REBAR PLANT FROM SCRAP. MOST FIRMS ANTICIPATING JUBAYL PELLETIZING PLANT AS SOURCE OF RAW MATERIAL SUPPLY. THIS PROJECT, IF COMPLETED, WILL TAKE AT LEAST THREE YEARS. THE JUBAYL STEEL COMPLEX, A PROJECT OF THE MARCONA COMPANY OF CALIFORNIA AND PETROMIN, PLANS ON INITIAL ANNUAL PRODUCTION OF 3.5 MILLION M/TS OF PELLETS, BARS, PIPES AND OTHER SHAPES. THE JIDDA STEEL ROLLING MILL INCLUDED IN ABOVE MENTIONED 45,000 TONS ANNUAL PRODUCTION, PLANS EVENTUALLY TO INCREASE ITS PRODUCTION TO 120,000 M/TS. REBAR WHICH COST SR 400 PER M/T IN EARLY 1975 NOW SELLS AT SR 1400 (\$400) PER M/T. THE SAG HAS GRANTED A LICENSE TO THE SAUDI STEEL CO. LTD., A NEW FIRM CONSISTING OF A SAUDI NATIONAL AND THE CANADIAN FIRM, COSTEEL INTERNATIONAL LTD., TO PRODUCE STEEL STRUCTURAL SHAPES AND REBARS. CAPITAL IS SR 35 MILLION, EQUALLY SHARED.

4. BECAUSE OF FLOOD OF MAIL INQUIRIES AND HORDES OF VISITING BUSINESSMEN, MOST SAUDI FIRMS PAY NO REGARD TO WRITTEN OFFERS. SEVERAL VISITS HERE ARE NECESSARY TO JELL ANY JOINT VENTURE PROPOSAL. THERE IS VERY LITTLE EMBASSY CAN DO TO GENERATE LOCAL FIRMS INTEREST THAT CAN SUBSTITUTE FOR UNCLASSIFIED

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PERSONAL VISIT OF PEDEN REPRESENTATIVE.
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